



County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

June 30, 2004

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: David E. Janssen *D.E. Janssen*
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

SACRAMENTO UPDATE

Budget Negotiations

Since the adoption of a budget before the new fiscal year, which begins tomorrow, is impossible, the Governor and Legislative Leaders appear to be making a major effort to conclude a budget deal that could be announced instead. The Big Five – the Governor and the four Leaders – met three times yesterday. Separate meetings with the Governor have continued today. Assembly Speaker Nunez (D-Los Angeles) proclaimed: "We feel very strongly that we will have a deal by the end of the fiscal year."

While the issues in contention are well known, any agreements that may have been reached have been closely guarded rather than leaked, as in past years. Over the weekend the Governor negotiated a deal with State employee unions that apparently will make it possible to proceed with the sale of almost a billion dollars in pension obligation bonds that had been stalled by a lawsuit by the Taxpayer's Association. Additionally, the Governor yesterday confirmed that he had a tentative deal with the prison guards' union to save \$108 million over two years, and indicated that the State is close to settling the Williams case, a four-year-old class action lawsuit on behalf of 18 low-performing school districts that claimed they lacked adequate resources to provide textbooks and instructional materials to their students. While the settlement has not been announced, it could add as much as \$188 million to the budget. One other budget related deal, the revised compacts with five Indian gaming tribes, is scheduled for action in the Legislature today.

Supposedly, still at issue are the additional funding that Democrats want to provide to the two university systems to ease the impact of the Governor's budget cuts, the Governor's proposal to cap the State contribution for In-Home Supportive Services

workers, and the local government agreement, which Democrats want to change. While no agreement on revisions has been announced, rumors suggest the following issues and likely compromise positions.

Vehicle License Fee Rate: Democrats will agree to reduce the rate to 0.65, but only in statute, not in the Constitution, as proposed by the Governor.

Revenue Protection: There appears to be bi-partisan legislative concern about the fact that the deal negotiated by the Governor with local governments would seriously limit the State's options in the future. The agreement would put local government revenue from the property and sales taxes, as well as the remaining VLF, both in the aggregate and for each local government, beyond the reach of the State unless it could convince the public to approve a Constitutional amendment. Legislative leaders have suggested that the agreement be changed in two ways to provide future Legislatures with some flexibility. The first would allow for a suspension of local revenue protection in the event of a future fiscal emergency. In order to ensure that such a suspension would not be undertaken lightly, various procedural safeguards have been discussed, including the need for an emergency declaration by the Governor, and approval by a four-fifths vote of both houses of the Legislature, and/or a simultaneous suspension of the Proposition 98 guarantee for K-14 funding. The second proposed change involves continuing to protect local sales tax revenue from a State taking in the aggregate only, but allowing future Legislatures to swap local sales taxes for an equivalent amount of property taxes, in the name of reform.

Mandate Protection. The agreement with the Governor calls for a constitutional amendment that would provide for the repeal of any mandate that is not funded by the State within a reasonable period of time. Legislative leaders appear to want to preserve the option to defer the funding of a mandate for up to three years, with interest. Local government mandates have been suspended for two years and would be for a third year under the Governor's budget, but without the requirement to pay interest. In addition, there seems to be agreement to define "mandate" in such a way as to negate the Sonoma decision so that a State-imposed increase in local governments' share of costs for a joint program would constitute a reimbursable mandate.

Status of County-Interest Legislation

County supported, if amended, AB 496 (Correa), which would establish a Santa Ana River Conservancy, failed to pass the Senate Committee on Natural Resources and Wildlife on June 29, 2004, by a vote of 5 to 4. However, the bill was granted reconsideration by the Committee by a vote of 9 to 0. As the bill still does not include representation of Los Angeles County or its cities on the Conservancy's board, our Sacramento advocates will continue to work with the author to amend the bill.

County-supported, AB 1185 (Montanez), which would direct the State Department of Parks and Recreation to consider obesity in youth as a factor in the allocation of bond funds for parks, pursuant to the provisions of Propositions 12 and 40, and also urge that future bond acts include funds for combating obesity in youth, was passed by the Senate Committee on Natural Resources and Wildlife on June 29, 2004, by a vote of 6 to 3, and re-referred to the Committee on Appropriations.

County-supported, AB 1466 (Koretz), which would authorize State agencies to adopt "Don't Trash California" (and the equivalent Spanish phrase) as their state unified litter prevention and recycling message, was passed by the Senate Appropriations Committee on June 29, 2004, by a vote of 8 to 3.

County-supported, AB 2064 (Goldberg), which would propose new guidelines for the State Parks Department in future State bond acts with regard to how urban parks are defined and designed, provide for a portion of expenditures to be made on park-poor underserved areas in proportion to other conservation efforts, and help to clarify that in the future, State park projects can include active recreation uses in heavily urbanized areas, was passed by the Senate Committee on Natural Resources and Wildlife on June 29, 2004, by a vote of 6 to 3, and re-referred to the Committee on Appropriations.

County-neutral SB 1397 (Escutia), which would allow the South Coast Air Quality Management District (AQMD) to regulate emissions from railroad locomotives and certain other vehicles in rail yards, was amended on June 29, 2004 to require the AQMD to conduct public workshops in communities near rail yards, to solicit public comments, and to include those comments in the report required by the bill. The AQMD reports that it requested the amendments and that the AQMD still supports the bill. After it was amended, SB 1397 was re-referred to the Appropriations Committee.

We will continue to keep you advised.

DEJ:GK
MAL:JR:DRS:ib

Attachment

- c: Executive Officer, Board of Supervisors
- County Counsel
- Local 660
- All Department Heads
- Legislative Strategist
- Coalition of County Unions
- California Contract Cities Association
- Independent Cities Association
- League of California Cities
- City Managers Associations